

Baltic Creative Community Interest Company: critical success factors in creative and digital clusters in Liverpool, UK

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Abstract

The purpose of this preliminary case study paper is to establish the historic context and evolution of Baltic Creative Community Interest Company (CIC) in Liverpool and identify the key activities that have defined its success as a social enterprise business over the past five years.

Baltic Creative CIC was established in 2009 to provide work space for the creative & digital sector. It has overseen the implementation of £4.5m acquisition and redevelopment scheme, attracted 65 businesses to the space and implemented systems and controls to operate as a fully functioning commercial landlord through a social enterprise business model. It has also played a key part in transforming the Baltic Triangle area of Liverpool which was once a derelict, unloved and under-used part of the city.

By 2014 the space was fully let supporting businesses and creating jobs and the area is home to a vibrant community of creatives and technologists. During the first five years of Baltic Creative, growth has far exceeded expectations and the CIC now supports 182 full time equivalent jobs, and its tenants add £1.4m every year to the regional economy. Baltic Creative is now considered an exemplar social enterprise in a post-industrial city. This case study makes a valuable contribution to the knowledge of social enterprise development and business success and the impact of long term capital funding initiatives that can create a sustainable business model.

The research method currently in development for this study is an auto ethnographic approach. As a founder director of BC CIC it is not possible for me to deny both my motivations to join as a voluntary board member, my access to the data and my influence on the strategic direction that the CIC has taken over 6 years. The findings are also triangulated through semi structured interviews with the MD and Chair of the board to identify any unique or particularly personal bias.

Keywords: Social Enterprise, Liverpool, Creative and Digital sectors, funding

Introduction

In 2015 a government commissioned report highlighted that the UK economy is being positively affected by region growth clusters in the Creative and Digital sector (TechcityUK 2015). Nationally, these industries have been growing and have bucked recessionary economic trends in the last decade. Liverpool has been a key city leading that trend and has seen a growth rate of 119% in new digital companies between 2010 and 2013. Furthermore forecasts for the Liverpool City region estimate that the regional economy is growing by 3% in this sector and will reach £1.68bn by 2030 (LEP 2014).

The city has a strong heritage of innovation, enterprise and creativity. From the early years of the 19th Century industrial revolution, commerce and trade to 20th Century pop music, performance and art it is now seen as a world class city of culture. However its rapid decline as the docks became redundant in the latter part of the 20th Century led to both high unemployment and severe lack of enterprise opportunities. As the UK's relationship with the European Union was cemented during the 1980s, outlines to develop and regenerate the city became apparent.

Social enterprises are currently cited as the business model answer to many of society's problems especially in the developing world. They sit apart from, but between government policy, commercial ventures and community needs (Sud et al 2008, VanSandt et al 2009). Whilst the evolution and role of social entrepreneurship merits much discussion, this paper will focus on the case of Baltic Creative Community Interest Company and its key growth stages and aspects of success through the use of a social enterprise business model in a post-industrial city in western Europe. This study identifies the people, the place and the finance that enabled its success rather than the theoretical underpinning and application of social enterprise concepts.

The status quo

Liverpool grew exponentially throughout the 19th Century's first wave of globalisation. Founded on the river Mersey, its location became the key route for imported raw materials such as cotton and sugar to reach the industrial mills and factories that supplied Victorian Britain. The first steam powered railway line was built to transport goods from the docks to growing manufacturing bases in Manchester and Lancashire and in doing so the docks created both employment and opportunity for many. At the dawn of the 20th Century Liverpool still remained a world class maritime city but the decline of the transatlantic cruise industry, growth of large ocean tankers and ultimately lack of demand in raw materials to support domestic manufacturing led to the deterioration of the docks, loss of employment and opportunities dried up. The demise of the inner city residential areas and a huge decline in industry led to social deprivation and areas such as Toxteth saw massive social unrest evidenced by riots during the early 1980s.

The latter years of the 20th century were stagnant for Liverpool. After the riots, a central government report suggesting a process of 'managed decline' through withdrawal of financial support for development and social issues in the city (Gardham 2011). This was never wholly implemented, however several generations of poor and formerly working class stayed on social security benefits in deteriorating areas of the city. Many of those that were educated moved to the south east of England to earn a decent living, leaving a huge burden on the people left to do the work in the creative sector such as run museums, shops and art galleries with little or no funding and resources. Many industries that existed were either in slow decline or light weight and service led. A status quo existed that left many people out of work, migrating or disheartened.

Up to the turn of the new millennium, the internet was not wireless by today's standards and networks were still in-house systems for most firms, remote working was still a new and risky concept for employers. The inevitable 'brain drain' to the south east of England happened consistently for decades. This created both a critical pool of skilled workers in the south and a wealth creation away from cities like Liverpool. Educated, middle class skilled men and women were either commuting or moving away to better paid work and opportunities. It is no surprise that London's boom years under new Labour at the turn of the millennium coincided with this. Work that was innovative, challenging and world leading was happening away from

Liverpool. The jobs that did exist were taken and few new ones created. Those starting businesses did so with very little support and huge risk but potentially high reward if won.

Equilibrium change

From the mid-1980s onwards there were small incremental changes in the core infrastructure of the city. Work started to conserve and bring back to use the derelict Albert Dock from 1984 – 2003, taking nearly 20 years where the Tate opened their first regional art gallery outside London in 1994. The music industry as always found a way to innovate in Liverpool, the highly successful Cream captured the dance club ethos of the 1990s with global exports of CD and DJs. Sony invested in a games development centre for several years and small start-up initiatives such as Train 2000 launched at the onset of the new millennium.

The city bid to host the European Capital of Culture in 2008 and won (Carter 2010). This gathered momentum and confidence in the city council, the creatives and tourists. Capital of Culture status puts the spotlight on cities in many ways and allows property investors to speculate. Previous lessons learnt by artists and creative business leaders was that those developers are the only long term winners, often driving up rents for profit in previously run down areas. Areas that were home to burgeoning creative start-ups forcing them to move on. Property and land are a means of security, as a business asset on a balance sheet but more importantly for the creative community as a whole, a community asset which would offer security and a home to new businesses.

The 2009 economic downturn impacted on public sector funding and added weight to the case for a different approach as central government closed quangos such as the North West Development Agency and grant funding schemes were revised. Simultaneously the global digital movement was altering traditional working patterns for many. Remote working and new communication channels gave 24 / 7 access meaning geography was not a major limiter for growth. Technology was growing through social media interaction that promoted social sharing and collaborating was becoming the new 'competition'. Allowing for incubator and co working spaces to appear swiftly in areas that could see potential and the scene was set to create a new place for Liverpool's digital creatives.

Finance

Having received Objective 1 status from the European Union during the 1990s (Bartlett 2014) Liverpool's infrastructure was in a phase of supported development and well placed to benefit from further capital funding for schemes that accelerated its growth towards better social cohesion, education and employment opportunities. The City Councils regeneration body, Liverpool Vision understood the application system and were politically and socially attuned to the potential of the Baltic Creative scheme. European Regional Development Fund (ERDF) capital grant funding of just over £2m was received and matched by the North West Development Agency (disbanded in 2009 to become HCA run by central government). The EU funding was modest at just over £2 million, compared to others (between 2007 – 2014 the Mersey region received £700m in EU grants). In 2009 a total of just over £5 million was received which included a small revenue grant to cover start up and initial running costs during the development phase. Baltic Creative Community Interest Company was established through Liverpool Vision and headed by a voluntary board who were self-accountable.

Features

The plan; to purchase, restore and revitalise 18 single storey warehouses built in the 1980s covering over 45,000 sq ft previously owned by Liverpool City Council (figure 1). This space would be ring fenced and rented out exclusively to "creative and digital" businesses in a bid to accelerate their growth, any profit made by the CIC would be re invested back into the company. Located in an underused part of town between the regenerated Albert Dock and the looming Anglican Cathedral, the Baltic Triangle area was used by light industry such as printers and mechanics and a burgeoning arts scene. A post-industrial warehouse area, similar to many cities in the developed world. Low rise or 2 / 3 stories with most of the activity at ground level allowing interaction and exchange which kept focus and transparency on activities in the area.



Figure 1 Baltic Creative Campus warehouse street view

A small refurbishment pilot project in 2010 was developed in one of the units to gauge the demand, costs and project issues. This also served as a hub for the company. The local and potential business community could see who was behind it and what was being developed, enquires could be made and Mark Lawler, the newly appointed manager of the scheme was permanently on site. Lawler was both qualified and experienced in urban development and business start-up. A paid employee gave the scheme a contact point, someone who was accountable and embedded into the concept, area and people. Architectural inspiration for design concepts came from a research trip to Berlin, a city that has similarities to Liverpool notably its inclusion in the European Union's Objective 1 funding, its lack of investment in infrastructure and manufacturing industry in the latter part of the 20th century as well as the development of cultural and creative practices born from challenging political landscapes.

Also notable was the closure of government quangos during 2010, this allowed Baltic Creative to explore, challenge and disrupt established expectations of a public funded property scheme. Arguably while many of the officers were threatened by closures, redundancy consultation periods and job security the architectural approach produced the Creative Campus (Figure 2). A quirky and irreverent fit out of wooden sheds as small offices, café and meeting space which became the hub of the community. Although this did not necessarily give a straight forward return on investment per square foot, it set sheds in a garden corridor that allows for both formal and casual interaction between tenants and their clients and colleagues.



Figure 2 The Creative Campus 'Sheds in Sheds'

Folks

Lawler's role as project manager was to cover the operational activities at the scheme, working with the CICs voluntary board for vision and strategy. The board were selected through an interview process and were a 'community' of educated and experienced professionals who had experienced growth, start-up, success, redundancy and unemployment both in Liverpool and elsewhere. Brought together to create a sustainable business environment both compelled and engaged them in the project. The founder board members came from a variety of backgrounds; property, music, culture, PR, start-up, housing, creative industries. They combined both personal motivations with a common goal which was to serve the community of people like them. The board comprised of 50 /50 male / female ratio and their commercial vision and strategy for what previously would have been perceived as a 'non-profit' grant funded scheme was unique.

Identifying success and emerging research

Baltic Creative opened its doors in October 2012. Less than a year later it was fully let with a considerable waiting list. Its current tenants range from a well-known, established music producer, an auction house, app developers as well as photographers, journalists, digital marketing agencies and developers. Its businesses are rapidly gaining global recognition and substantial investment enabling them to bring wealth and jobs to the area. The environment offers a collaborative and collegial approach with many tenants receiving work from networks and recommendations fosters in the Creative Campus. The CIC approach is recognised as a fair and sustainable business model and has been replicated by some of Baltic Creatives own tenants as a preferred route to enterprise. As the research is emerging three key areas have become apparent: Policy, People and Profit

Policy

A clear policy or vision has to be in place, a strong political agenda with fiscal power and key supporters to enable people to fulfil the vision. Historically, political infighting and disagreement only takes away from the people it is elected to support. Liverpool's social issues during the decline of the 1970s and 1980s impacted woefully on its prospects, it took twenty years, inclusion in the EU and the beneficiary of millions of pounds to start a new approach. A generation later, Baltic Creative's political support, friends and allies in the city council helped to ground its success along with an initial investment of public funds both from Europe and central government. Liverpool Vision, the city's regeneration unit had an acute awareness of the importance of creativity through funding the ACME* scheme under their cultural regeneration umbrella. Despite being a small group of people, they were in key positions that influenced politics and policy. However the politicians and the officers working in the public sector could not have achieved this alone.

People

The second element is the people and the community it served. A Community Interest Company is a business model that exists to benefit the interests of the community that it serves in a financially responsible and sustainable way. To do this consistently the people involved have to find both personal and mutual benefit. By being part of the community their lives should be enriched and not just financially. While the city council was developing its agenda there were several independent arts and creative groups networked together by ACME. This created an appetite for growth in tandem with the city partnerships. Artists and culture add value to a place and people become attracted to these environments – for entertainment, leisure and work. However artists and creatives rarely see the financial benefits of this. Where there is a healthy arts and creative economy it attracts entrepreneurs and developers. There was convergence of consciousness between all stakeholders that Liverpool could achieve a positive and supportive place where businesses could flourish and bring wealth to an under used area. Embedded in this is a knowledge that collaborations make good economies and collectively creatives will be stronger together. Recently several newspaper reports have highlighted key enabling factors such as affordability of housing, currently 40% cheaper than the average home in the UK (Lewis 2016) and the 2nd happiest city to work in the UK (Seager 2016) due to an open and collaborative culture towards work.

“The Baltic Triangle — the creative hub of the city — brings much investment and the council is raising the city’s profile, too. This is starting to pay off, with businesses and people relocating here.” Lewis 2016

From the perspective of the board there is a quiet satisfaction that no one person runs Baltic Creative or takes the credit as an individual. However good governance and returning to the founding principles is used as a key guide when presented with challenging strategic decisions. It is a collective community achievement and as the property is owned and managed by the CIC there is a legacy that can be passed on to generations to come. The emphasis is to support the creative community by listening and adapting to the ever changing needs of the sector and its entrepreneurs. To be a sustainable business, viable and profitable so that it can continue to serve and reinvest in the creative and digital sector. The campus and managed work space provide support for many young businesses as well as those who are established. They all offer encouragement, inspiration and credibility to the scheme.

Profit

The third element is profit, which can be considered as return on investment or outputs. In order to be measured as successful by the funders, a number of key outputs had to be delivered such as businesses supported and jobs created. This has been achieved and satisfied the organisations involved with funding however as a CIC the wider community must also profit either in social or economic terms and preferably both. The generations that prospered in Liverpool have long gone and there is a fundamental motivation to create a better place for the next generation. The status quo could have stayed the same but it took decades and a whole city of people who needed Liverpool to be better. People are now returning and making a conscious effort to move to Liverpool. Employment growth, student numbers and educational opportunities in Liverpool are rising. The paradox for CICs is that traditionally the 3rd sector was viewed as non-profit driven and fostered an over reliance on revenue grants and charity donations. It is essential that this new business model creates a benefit for society through employment and opportunity. A board that consists of voluntary members also highlights this refocus towards profit in a broader sense.

Conclusion

Social enterprises often find an unhappy status quo and have a desire to disrupt. They intervene and demand a fundamental re wiring of a system that is unwillingly accepted by a majority (Martin and Osberg 2015). They sit between policy led government and profit led businesses and are population or people led. The people are ultimately responsible for the seismic shift to a better, fairer way of living and working. No one person is attributed to the change as it is a social transformation. Baltic Creative CIC was not developed to challenge a typically tragic situation often seen in the developing world in areas of education, social or health issues. However as a social enterprise its role was to challenge unemployment and lack of opportunities in the

creative and growing digital field in a neglected Northern city in the UK. The policy makers, cultural stakeholders and board members recognised the stagnant status quo in Liverpool. A gross under use of an area and buildings that could be utilised to create a stronger, vibrant and ultimately wealthier and safer community for all. Baltic Creative CIC recognised that property ownership equals control and permanency. This model can be used to protect and serve the creative business community in the form of a social enterprise by allowing financial resources to be returned into the company rather than filtered off to the benefit of individuals.

* ACME was established in 1997 and works with the creative and digital sector in Merseyside to ensure they are at the forefront of the region's strategy for economic growth. www.kin2kin.co.uk/acme/

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